Financial Statements
(Expressed in thousands of dollars)

BRITISH COLUMBIA CANCER AGENCY BRANCH

Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of British Columbia Cancer Agency Branch

We have audited the accompanying financial statements of British Columbia Cancer Agency Branch which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Cancer Agency Branch as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants

June 21, 2012
Vancouver, Canada

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 3,242	$ 4,321
Accounts receivable (note 2)	55,920	50,265
Inventories of materials and supplies (note 3)	11,102	9,140
Prepaid expenses	1,943	1,605
	72,207	65,331
Capital assets (note 4)	356,655	333,082
	$ 428,862	$ 398,413
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 66,560	$ 59,473
Deferred contributions for designated purposes (note 6)	20,681	23,520
Current portion of long-term debt (note 8)	35	-
Current portion of retirement allowance (note 7(a))	1,545	1,385
	88,821	84,378
Retirement allowance (note 7(a))	16,941	15,867
Asset retirement obligations (note 11(d))	2,639	969
Long-term accounts payable (note 14)	13,268	9,858
Long-term debt (note 8)	16,218	14,356
Deferred capital contributions (note 9)	311,288	289,424
	449,175	414,852
Net assets (deficiency):		
Invested in capital assets (note 10(a))	29,114	29,302
Unrestricted	(49,427)	(45,741)
	(20,313)	(16,439)
	$ 428,862	$ 398,413

Commitments and contingencies (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Provincial Health Services Authority contributions	$ 380,419	$ 362,206
Medical Services Plan	81,188	67,975
Amortization of deferred capital contributions	23,488	23,810
Other (note 12(b))	7,362	6,987
Patients, clients and residents (note 12(c))	3,200	3,110
Other contributions (note 12(a))	2,891	2,829
Research and designated contributions	61,785	59,236
	560,333	526,153
Expenses:		
Compensation and benefits	215,099	196,088
Referred-out and contracted services (note 12(d))	124,811	116,354
Supplies (note 12(e))	109,628	101,672
Amortization of capital assets	23,679	23,990
Equipment and building services	23,624	21,462
Sundry (note 12(f))	5,578	7,133
Accretion of asset retirement obligations (note 11(d))	3	5
Research and designated expenses	61,785	59,236
	564,207	525,940
Excess (deficiency) of revenues over expenses	$ (3,874)	$ 213

See accompanying notes to financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Changes in Net Assets (Deficiency)
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets	Unrestricted	Total 2012	Total 2011
Balance, beginning of year	$ 29,302	$ (45,741)	$ (16,439)	$ (16,652)
Deficiency of revenues over expenses	(191)	(3,683)	(3,874)	213
Transfer to invested in capital assets (note 10(c))	3	(3)	-	-
Balance, end of year	$ 29,114	$ (49,427)	$ (20,313)	$ (16,439)

See accompanying notes to financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	$ (3,874)	$ 213
Items not involving cash:		
Amortization of capital assets	23,679	23,990
Amortization of deferred capital contributions	(23,488)	(23,810)
Accretion of asset retirement obligations	3	5
Retirement allowance expense	1,657	1,753
Excess of assets over recoverable amount (note 11(d))	1,667	-
Net change in non-cash operating items (note 13(a))	(297)	2,497
	(653)	4,648
Cash flows from investing activities:		
Purchase of capital assets	(45,358)	(48,806)
Cash flows from financing activities:		
Capital contributions	45,355	47,517
Retirement allowance benefits paid	(423)	(1,004)
	44,932	46,513
Increase (decrease) in cash	(1,079)	2,355
Cash, beginning of year	4,321	1,966
Cash, end of year	$ 3,242	$ 4,321

See accompanying notes to financial statements.

The British Columbia Cancer Agency Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia ("BC"). The Branch is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Mental Health Society (Riverview) Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Emergency and Health Services Commission;

Forensic Psychiatric Services Commission;

Health Shared Services BC; and

Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

The Branch provides a comprehensive cancer control program to all British Columbians, which includes prevention and early detection, treatment, and related education and research. This program is provided through the specialized facilities of the Vancouver Cancer Centre, the Fraser Valley Cancer Centre, the Vancouver Island Cancer Centre, and the Cancer Centre for the Southern Interior, as well as decentralized programs for patient care. The Branch is also responsible for the operating activities of the British Columbia Cancer Research Centre.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 15) that support the activities of the Branch and other organizations that provide services under contracts with the Branch.

(b) Revenue recognition:

The Branch follows the deferral method of accounting for contributions which include donations and government grants.

Under the *Hospital Insurance Act and Regulations* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry of Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

(c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Branch in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(d) Inventories of materials and supplies:

Inventories, consisting of medical/surgical supplies, drugs and other materials and supplies, are recorded at the lower of weighted average cost and replacement cost.

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Branch records amortization on its assets on a straight-line basis over the useful life of the assets as follows:

Buildings	20 - 50 years
Leasehold improvements	Lease term to a maximum of 20 years
Building service equipment	15 - 20 years
Equipment	3 - 20 years
Software license fees	3 - 5 years
Vehicles	4 - 7 years

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2011 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(g) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

1. Significant accounting policies (continued):

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of amortization of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits. Actual results could differ from the estimates.

(i) Financial instruments:

The Branch has designated all non-derivative financial assets and liabilities as held-for-trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held-to-maturity.

- The Branch initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held-for-trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available-for-sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are de-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of the transaction that received hedge accounting.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

The Branch's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values. The Branch has elected not to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, *Financial Instruments - Disclosure*, and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(j) Capitalization of public private partnership project:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets are estimated at fair value, based on progress billings verified by an independent certifier, and also includes other costs incurred by the Authority. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received during the construction term. The interest rate used is the project internal rate of return. Upon completion, the project assets will be amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received, during the construction period, is recorded as a liability and included in the long-term debt. The obligation will be met as part of the monthly payments over the term of the Project Agreement.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

(k) Future accounting framework:

Effective April 1, 2012, the Branch will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Branch is reviewing the impact of these changes on the financial statements.

2. Accounts receivable:

	2012	2011
Ministry of Health	$ 36,808	$ 19,257
Research grants	6,138	3,749
Hospital foundations	2,787	2,319
Federal and provincial sales taxes	1,694	2,087
Patients, clients and agencies	1,122	859
Provincial Health Services Authority	884	10,211
Other health authorities and BC government reporting entities	392	3,549
Other	6,450	8,547
	56,275	50,578
Less allowance for doubtful accounts	(355)	(313)
	$ 55,920	$ 50,265

3. Inventories of materials and supplies:

The Branch's inventories of $11,102 (2011 - $9,140) are recorded at the lower of weighted average cost and replacement cost and consist of medical/surgical supplies, drugs, and other materials and supplies. During the year, $100,305 (2011 - $99,491) of inventories were expensed by the Branch.

4. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Land	$ 35,150	$ -	$ 35,150
Buildings	251,887	70,292	181,595
Building service equipment	8,263	2,942	5,321
Construction in progress	74,749	-	74,749
Leasehold improvements	2,992	2,630	362
Equipment	193,451	134,223	59,228
Equipment in progress	145	-	145
Software license fees	465	360	105
Vehicles	372	372	-
	$ 567,474	$ 210,819	$ 356,655

4. Capital assets (continued):

2011	Cost	Accumulated amortization	Net book value
Land	$ 35,150	$ -	$ 35,150
Buildings	246,882	64,348	182,534
Building service equipment	8,212	2,332	5,880
Construction in progress	46,682	-	46,682
Leasehold improvements	2,990	2,488	502
Equipment	185,476	124,766	60,710
Equipment in progress	1,496	-	1,496
Software license fees	402	308	94
Vehicles	684	650	34
	$ 527,974	$ 194,892	$ 333,082

The Branch entered into a multi-year public-private-partnership contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") on December 18, 2009 to build the BC Cancer Agency Centre for the North ("Cancer Centre") in Prince George, British Columbia. Under the agreement, Plenary Health will design, construct, finance, and maintain the facilities until the end of the term of the agreement in September 2042. The planned completion date for the Cancer Centre is summer 2012, and the parkade was completed in summer 2010 and is in use.

The cost of the asset is estimated at fair value, based on progress billings verified by an independent certifier, and also includes costs incurred by the Branch. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the Project Agreement. Interest incurred during construction is also included in the asset cost and is calculated on the P3 asset value, less amounts repaid during the construction term. The interest rate used is 7.89%. During the year, $1,897 (2011 - $679) of interest has been capitalized to construction in progress.

The total construction budget for the Cancer Centre project is $69,912, with Plenary Health contributing funding of $13,618 (approximately 22%) into the project. The balance of the funding has been committed by the Ministry of Health. In addition, the Ministry of Health will provide $22,760 of capital funds for equipment and information technology, planning and procurement, and other capital expenditures. As at March 31, 2012, there was $67,427 (2011 - $36,024) included in construction in progress related to this project, and $11,756 (2011 - $11,756) included in buildings related to this project.

5. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accrued liabilities	$ 35,028	$ 36,186
Salaries and benefits payable	20,442	12,557
Accrued vacation pay	11,090	10,585
Provincial Health Services Authority	-	145
	$ 66,560	$ 59,473

6. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent contributions for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when the related expenses are incurred.

	2012	2011
Deferred contributions for designated purposes, beginning of year	$ 23,520	$ 16,813
Less amount recognized as revenue in the year	(61,785)	(59,236)
Add amount received for future periods	58,946	65,943
Deferred contributions for designated purposes, end of year	$ 20,681	$ 23,520

7. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2009 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2012 are derived, and an extrapolation of the valuation performed as at December 31, 2009, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

7. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	$ 3,681	$ 3,373
Severance benefits	12,270	11,407
Total unfunded obligation	15,951	14,780
Balance of unamortized amounts	2,535	2,472
Accrued retirement allowance benefits	18,486	17,252
Current portion	1,545	1,385
Long-term portion	$ 16,941	$ 15,867
Retirement allowance expense	$ 1,893	$ 1,753
Transfer of employees to other health authorities	(236)	-
Net retirement allowance expense	$ 1,657	$ 1,753
Benefits paid	423	1,004

During the year ended March 31, 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

The significant actuarial assumptions adopted in measuring the Branch's retirement allowance liabilities are as follows:

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claims for certain employee groups of the Branch and other provincially-funded organizations.

(*i*) Long-term disability benefits:

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The assets and liabilities for these long-term disability benefits have been segregated for PHSA, but not for the individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2011 indicated a surplus of $36 (December 31, 2010 - liability of $8,342). Contributions of $1,126 (2011 - $2,123) were expensed during the year. The PHSA plan covers approximately 7,579 active employees of which 1,687 are employees of the Branch. The next required valuation will be as of December 31, 2012.

(*ii*) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of $2,885 (2011 - $3,846) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2011 indicated a surplus of $30,853 (2010 - $17,300). The plan covers approximately 86,000 active employees of which 1,813 are employees of the Branch. The next required valuation will be as of December 31, 2012.

(c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $13,672 (2011 - $11,774) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of $1,024,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 173,000 active members of which 2,060 are employees of the Branch. The next required valuation will be as at December 31, 2012, with results available in 2013.

8. Long-term debt:

	2012	2011
Public private partnership obligation: Northern Cancer Centre, 30 year contract term with Plenary Health, interest at 7.89% per annum, construction completion fiscal 2013	$ 16,253	$ 14,356
Current portion	35	-
Long-term portion	$ 16,218	$ 14,356

Required principal repayments on long-term debt for the years ending March 31 are:

2013	$ 35
2014	74
2015	80
2016	86
2017	93
Thereafter	15,885
	$ 16,253

9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Deferred capital contributions, beginning of year	$ 289,424	$ 265,717
Provincial Health Services Authority	36,863	39,555
Foundations	2,740	4,263
Other	5,752	3,699
	45,355	47,517
Less amortization for the year	(23,488)	(23,810)
Unamortized deferred capital contribution relating to assets transferred to PHSA	(3)	-
Deferred capital contributions, end of year	$ 311,288	$ 289,424

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 356,655	$ 333,082
Amounts financed by:		
Deferred capital contributions	(311,288)	(289,424)
Long-term debt	(16,253)	(14,356)
	(327,541)	(303,780)
	$ 29,114	$ 29,302

(b) Deficiency of revenues over expenses:

	2012	2011
Amortization of deferred capital contributions	$ 23,488	$ 23,810
Amortization of capital assets	(23,679)	(23,990)
	$ (191)	$ (180)

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	$ 47,255	$ 49,797
Asset retirement obligations	-	(5)
Net book value of assets transferred to PHSA	(3)	-
Amounts funded by:		
Deferred capital contributions	(45,355)	(47,517)
Long-term debt	(1,897)	(991)
Unamortized deferred capital contribution relating to assets transferred to PHSA	3	-
	(47,249)	(48,508)
	$ 3	$ 1,284

11. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2013	$	1,245
2014		1,049
2015		1,032
2016		1,144
2017		376
Thereafter		1,859
	$	6,705

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2012, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

(d) Asset retirement obligations:

The Branch has accrued asset retirement obligations of $2,639 (2011 - $969) representing the fair value of the legal obligations related to leased and owned premises and land after charges for accretion and amortization. The settlement of these obligations will occur at the expiry of the leases and as owned premises undergo renovations, or as land reclamation activities occur. The fair value of the legal obligation was determined by discounting the estimated cash outflows of $2,866 (2011 - $966) over the respective lease terms and until renovations are undertaken, or over the expected time period of land reclamation activities, at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.00% for new obligations (2011 - 4.81%). The asset retirement obligations have been capitalized as part of capital assets. The asset retirement obligations capitalized in respect of leasehold improvements will be amortized over the respective premise lease terms and over the time period until renovations are completed. The asset retirement obligations capitalized in respect of land are not amortized.

11. Commitments and contingencies (continued):

(d) Asset retirement obligations (continued):

As at March 31, 2012, an estimate of the obligation for reclamation of contarninated land was obtained, which resulted in an increase of the respective asset retirement obligation by $1,667. The corresponding increase in the related asset was concluded not to be recoverable in the future, and the amount was recognized in the statement of operations.

(e) Service payments:

As disclosed in note 4, the Branch has signed an agreement with Plenary Health to make periodic payments for facility rehabilitation and maintenance services of the BC Cancer Agency Centre for the North commencing in fiscal 2013 until the end of the agreement in fiscal 2043.

The aggregate payments under the agreement are as follows:

2013	$ 543
2014	1,098
2015	1,162
2016	1,307
2017	1,426
Thereafter	58,509
	$ 64,045

12. Statement of operations:

(a) Other contributions:

	2012	2011
Foundations	$ 1,565	$ 1,756
Federal government	10	233
Other Ministries	2	2
Other	1,314	838
	$ 2,891	$ 2,829

12. Statement of operations (continued):

(b) Other revenues:

	2012	2011
Recoveries from sales of goods and services	$ 5,483	$ 4,969
Parking	1,052	1,009
Recoveries from other health authorities and BC government reporting entities	556	760
Drug sales	191	110
Other	80	139
	$ 7,362	$ 6,987

(c) Patients, clients and residents revenue:

	2012	2011
Non-residents of BC	$ 2,095	$ 1,934
Residents of BC - self pay	493	505
Federal government	382	428
Non-residents of Canada	230	243
	$ 3,200	$ 3,110

(d) Referred out and contracted services:

	2012	2011
Other health authorities and BC government reporting entities	$ 112,211	$ 102,995
Private contractors	12,600	13,359
	$ 124,811	$ 116,354

12. Statement of operations (continued):

(e) Supplies:

	2012	2011
Drugs and medical gases	$ 96,722	$ 90,602
Diagnostic	6,049	4,855
Medical and surgical	3,030	2,858
Printing, stationery and office	999	1,166
Laundry and linen	177	158
Food and dietary	85	130
Housekeeping	75	112
Other	2,491	1,791
	$ 109,628	$ 101,672

(f) Sundry:

	2012	2011
Travel	$ 2,057	$ 2,074
Professional fees	862	2,193
Communication and data processing	334	339
Other	2,325	2,527
	$ 5,578	$ 7,133

13. Statement of cash flows:

(a) Net change in non-cash operating items:

	2012	2011
Net change in non-cash operating items:		
Accounts receivable	$ (5,655)	$ (1,997)
Inventories	(1,962)	(328)
Prepaid expenses	(338)	53
Accounts payable and accrued liabilities	7,087	(5,405)
Long-term accounts payable	3,410	3,467
Deferred contributions for designated purposes	(2,839)	6,707
	$ (297)	$ 2,497

13. Statement of cash flows (continued):

(b) Purchase of capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of capital assets on the statement of cash flows.

	2012	2011
Purchase of capital assets (note 10(c))	$ 47,254	$ 49,797
Non-cash transactions:		
Additions to asset retirement obligations	$ 1,667	$ 881
Capital asset additions funded through Plenary Health (note 4)	1,897	991
Capital assets transferred to PHSA	(3)	-

14. Abbotsford Regional Hospital and Cancer Centre:

The Abbotsford Regional Hospital and Cancer Centre ("ARHCC") commenced providing services in August 2008. Under the terms of an agreement, Access Health Abbotsford Ltd. ("AHA") will maintain the ARHCC until May 2038. Payment guarantees have been provided by the Province of British Columbia for the payment obligations to AHA.

The Branch and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 common shares are held by the Branch. The shares were acquired at a cost of one dollar per share. The investment has been recorded at cost.

Required principal repayments on long-term accounts payable in connection with ARHCC, interest 7.75% per annum, for the years ending March 31 are:

2015	$ 69
2016	169
2017	279
Thereafter	12,751
	$ 13,268

15. Related entities:

(a) Foundations and auxiliaries:

The Branch has an economic interest in the BC Cancer Foundation (the "Foundation") which is responsible for fundraising activities of the Branch, the British Columbia Cancer Research

15. Related entities (continued):

(a) Foundations and auxiliaries (continued):

Centre facility (the "Research Centre"), and the Genome Sciences Centre. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The net assets and results from operations of the Foundation are not included in the financial statements of the Branch. At March 31, 2012, the Foundation held net assets of $74,348 (2011 - $60,248) to be used for research, patient care, education, and capital expenditures at the Branch, the Research Centre and the Genome Sciences Centre.

During the year, the Branch received the following contributions from the Foundation:

	2012	2011
Operations	$ 258	$ 219
Research	5,023	3,631
Other designated purposes	8,797	10,048
Capital	7,718	4,700
	$ 21,796	$ 18,598

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2012, expenses include $5,772 (2011 - $4,915) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

16. Capital management:

The Branch receives its principal source of capital through funding received from the Ministry of Health. The Branch defines capital to be net assets, long-term debt and deferred capital contributions.

16. Capital management (continued):

The Branch's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Branch has complied with the external restrictions on the funding provided.

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.